

Message Text

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ACTION OPIC-12

INFO OCT-01 NEA-10 ADP-00 EB-11 AID-20 TRSE-00 OMB-01 L-03

COME-00 /058 W

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P 031036 Z APR 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3541

UNCLAS NEW DELHI 3802

FOR OPIC

E. O. 11652: N/A

TAGS: EAID, IN

SUBJECT: SHAMA FORGE CO., LTD.

LOAN NO. 386- E-116

REF: NEW DELHI 3790

1. AS INDICATED PARA 7 REFTTEL, WE WILL BE PARTICIPATING IN A MEETING ON APRIL 5, 1973 AT BOMBAY IN THE OFFICE OF INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) TO DISCUSS A GENERAL PROPOSAL, RECENTLY PUT FORWARD BY MUKUND IRON AND STEEL WORKS LTD. (MUKUND) FOR THE TAKING OVER OF SHAMA FORGE COMPANY. THACKER OF MULLA AND MULLA WILL ATTEND MEETING ALONG WITH USAID REP. REPRESENTATIVES OF INDUSTRIAL FINANCE CORPORATION, IDBI, LIC AND UNION BANK ARE ALSO SCHEDULED TO ATTEND. THE FOLLOWING MESSAGE SUMMARIZES THE PROPOSAL TO BE DISCUSSED.

2. MUKUND, PROPOSER OF THE REVITALIZATION EFFORT, IS A PUBLIC LIMITED COMPANY OF GOOD REPUTE, AND A PROFITABLE VENTURE MANUFACTURING A VARIETY OF STEEL ITEMS. MUKUND' S PROPOSAL, IN SUM, IS THAT (A) MUKUND BE GIVEN MANAGEMENT CONTRACT FOR 7 YEARS WITH OPTION TO BUY ENTIRE SHARE CAPITAL OF SHAMA, DURING THIS 7 YEAR PERIOD, FOR PRICE TO BE SETTLED NOW, (B) SHAMA ARRANGE FOR ADDITIONAL FINANCING FOR REOPENING AND WORKING THE FACTORY (CONCLUSION LAST YEAR OF GOVERNMENT APPOINTED COMMITTEE WAS THAT APPROXIMATELY RS.10 MILLION

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WOULD BE REQUIRED TO REVIVE SHAMA), (C) EXISTING CREDITORS SCALE DOWN THEIR DEBTS PRESENTLY DUE BY SHAMA, WITH DETAILS AND AMOUNTS/ PERCENTAGES OF SCALING DOWN TO BE WORKED OUT AFTER DISCUSSIONS AMONG ALL CONCERNED PARTIES, AND (D) MUKUND WILL DEPUTE A MANAGING DIRECTOR AND OTHER APPROPRIATE OFFICERS TO SHAMA, WITH SHAMA TO PAY THE COSTS OF THESE OFFICERS.

3. WHILE OUR POSTURE AT APRIL 5 MEETING WILL BE ONE OF CONSTRUCTIVE ALTHOUGH NON- COMMITTAL EXPLORATION, WE WOULD CERTAINLY INTEND TRACE FOR ATTENDEES WHAT OUR REQUIREMENTS HAVE BEEN (PARA 7 REFTEL), AND HOW, AFTER MANY ATTEMPTS TO WORK WITH SHAMA/ UNION BANK TOWARD MEETING THESE REQUIREMENTS, WE HAVE HAD NO ALTERNATIVE BUT TO RESORT TO LEGAL MEASURES, AND THAT WE ARE NOW PLANNING TO INITIATE OUR OWN LEGAL ACTION IN NEAR FUTURE. RE ANY POSSIBLE DEBT RESHEDULING/ COMPROMISE ON OUR PART, WE WILL (NON- COMMITTEDLY) HEAR PARTIES OUT AND, TO MAXIMUM EXTENT, ATTEMPT TO OBTAIN DETAILS AND APPARENT STRENGTH OF INTEREST.

4. FULL REPORT TO OPIC WILL FOLLOW CREDITORS' MEETING. SHOULD OPIC HAVE COMMENTS/ GUIDANCE IN ADVANCE SUCH MEETING, PLEASE CABLE SAME TO ARRIVE DELHI BY OPENING OF BUSINESS, APRIL 5 OUR TIME.
MOYNIHAN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE03802
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730430/aaaahjiv.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ACTION OPI
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 73 NEW DELHI 3790
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 05 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05-Nov-2001 by averetam>; APPROVED <07 FEB 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971117
Subject: SHAMA FORGE CO., LTD. LOAN NO. 386- E-116
TAGS: EAID, IN
To: OPIC
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005